



STATE OF WASHINGTON
GAMBLING COMMISSION

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December 30, 2003

TO: Rick Day, Director

FROM: Agency Rules Team

SUBJECT: Petition for Rule Change

The Petition for Rule Change filed by Valerie Storkson, Stork's Restaurant and Lounge, seeks to amend WAC 230-30-072 (2). This rule sets pull-tab inventory controls. Subsection (2) requires that an identification and inspection services (I.D.) stamp be affixed to the distributor's invoice prior to a pull-tab game being put out for play. Each I.D. stamp has a string of eight numbers and a bar code. The petitioner requests a rule change to allow pull-tab operators to remove the I.D. stamp from the game flare and affix it to the invoice after it is removed from play, rather than when it is first put out for play. The petitioner indicates this option would better facilitate her inventory control method.

Staff analyzed the petition and offers these observations for your consideration as you discuss the petition. The following is a summary of current requirements, concerns and potential solutions regarding the petition.

WAC 230-30-072(2) states the following:

- (2) At the time a punchboard or pull-tab series is placed into play, each operator shall record in the allotted space on the distributor's invoice or the inventory record the following:
- (a) The date placed in play; and
 - (b) Washington state identification and inspection services stamp number by attaching a records entry label.

Regulatory Purpose:

WAC 230-30-072(1)(b) requires that pull-tab operators verify the information recorded on a distributor's invoice is correct. To facilitate this verification, operators are required to remove one of the three I.D. stamps from the game's flare and attach it to the distributor's invoice, which lists the I.D. stamp number. The licensee then compares the I.D. stamp number from the game, to the I.D. stamp number recorded on the distributor's invoice. If the I.D. numbers don't match, the operator would contact the distributor and ask that the invoice or game be corrected. This would occur before the game is put out for play. If the I.D. numbers don't match or if a game in

play doesn't have an invoice, there is a possibility that the operator may have obtained the game illegally. This would put the operator's gambling license at risk.

I.D. stamps are utilized by commission agents during a pull-tab records inspection. Each agent is required to complete at least four record inspections every year. A records inspection involves a comparison of each type of pull-tab inventory category of the operator's pull-tab inventory. Pull-tab inventory is classified in four separate categories: purchased, in-play, un-played, and sales. In order to conduct a pull-tab records inspection, each pull-tab I.D. stamp is scanned separately using a bar code reader.

Regulatory concerns:

If the proposed amendment was adopted and I.D. stamps no longer affixed to a purchase invoice prior to a game being put out for play, agents would have to enter each I.D. stamp number by hand into a bar code reader. In many cases, there could be well over 100 games in an operator's inventory. If agents entered each I.D. stamp number by hand, the time required to conduct the inspection would increase and the probability of input mistakes would also increase. If there is a mistake, the agent would have to review each number entered by hand to determine if an entry error was made. Corrections would have to be completed prior to moving forward with the pull-tab records inspection.

At least one city also uses bar code readers to quickly and accurately determine gambling tax liability. Therefore, any changes could also impact local jurisdictions.

Alternative solutions

Currently, WAC 230-30-072(1)(a) provides a solution to the petitioner's inventory concerns through the use of a computerized inventory system and printer. A computerized inventory system is a separate inventory record used to track the four categories of inventory (sales, purchases, in-play, un-played). If an operator does not want to apply the I.D. stamp to the distributor's invoice when a game is put out for play, a computer-generated facsimile of the I.D. stamp may be imprinted on the inventory record in lieu of the I.D. stamp. The computer generated I.D. stamp must be readable by the Commission's bar code scanner, to facilitate a records inspection. Furthermore, this enables the operator to compare the I.D. stamp numbers to ensure the invoice/games are correct before a game is put out for play.

A second alternative would be the use of a color code system on the distributor's invoice to identify the inventory status of each pull-tab game. When a pull-tab game was placed out for play, the operator would place the I.D. stamp on the distributor's invoice, as required. When a pull-tab game was removed from play the operator would use a highlighter to color code the I.D. stamp on the distributor's invoice. The distributor's invoice would be used as follows:

- a. un-played pull-tab games would have no I.D. stamp on the invoice;
- b. in-play pull-tab games would have an I.D. stamp on the invoice; and
- c. games removed from play would have the I.D. stamp highlighted.

After all games are removed from play, all the pull-tab games listed on the distributor's invoice would be highlighted.

These alternatives ensure the I.D. stamp numbers from the pull-tab games are compared to the I.D. stamp numbers on the distributor's invoice to ensure the games and invoices are correct. Furthermore, it facilitates the Commission's regulatory program by allowing agents to utilize the technology of a bar code scanner, rather than entering numbers by hand.

Summary and Recommendation

Current inventory requirements are effective and continue to be necessary in our regulatory program. Two alternative solutions currently exist to accommodate the petitioner's request and no formal rule change is required for the licensee to use these alternatives. For these reasons, staff recommends that the Commission vote to not adopt the rule.